alone, or a material interest therein, will almost never be large enough to cover the sale price of the property and the cost of component separation. This implies that a market-based valuation and sale of the remainder component, or a material interest therein, is an essential factor in the implementation of component separation. In the case of tangible personal property, the purchase

5 price of the estate for years component also will almost never be large enough to cover the sale price of the property and the cost of component separation, except in those cases wherein the property can reasonably be expected to reach the end of its useful economic life during the estate for years term.

B. Tax-exempt Finance

10 Separating property into at least two components along a time dimension (e.g., into an estate for years and a remainder interest) can also be used to enhance the investment value of tax-exempt securities such as tax-exempt general obligation bonds, tax-exempt industrial revenue bonds, and tax-exempt leases. This separation can be applied either to individual securities or to pools of tax-exempt securities. Value enhancement can be achieved in two ways: (1) cash flow

15 streams from the components can appeal to investors who would not be interested in the entire cash flow stream of the original asset, and (2) the combined tax shelter benefits that accompany the components can be greater than the tax shelter benefits associated with the original asset. Both effects are significant, though in some situations, the tax effect will be the more dramatic of the two.

Unlike the example of taxable leased property discussed above, for the tax-exempt

20 property example, both components can be viewed as fixed-income securities. One would expect that these fixed-income securities would be valued by investors in the marketplace by comparison with other fixed-income securities.

For tax-exempt securities, to effect a successful change in cash flow benefits from splitting the property or asset into components, one can proceed indirectly in separating the asset

25 into components. Rather than directly separating ownership of the tax-exempt security itself, it is better to create an entity to hold the tax-exempt security, and then to separate one or more of the

data file to become a new one of the stored Data Files 32. If the user makes a menu selection

indicating that the Logic Means 30 should retrieve one of the stored Data Files 32, the Logic Means

30 asks on a Retrieve Stored Data File Screen 46 for the name and directory of the selected Data

File 32. Block 48 performs the function of recalling the appropriate one of Data File 32.

5   Otherwise, the user can make a menu selection at Block 44 to create a New Data

File 50. Regardless of which of these selections is made, Logic Means 30 displays a Data Form 52

like Screen 1 of Specimen 1, which will either have blank spaces to receive Input Data 18 to fill in

the Data Form or will already be completed as a stored Data File 32. Specimen 1, Screen 1, herein

is a representation of a completed data form. This representation, which is illustrative only, involves

10   10-year leases and a certain pattern of rents, and as such, it is a limited illustration of the

capabilities of the invention discussed herein. Also, a portion of the Financial Analysis Output 24 is

presented in Screen 2 and Screen 3 of Specimen 1, which is a simplification over the use of a

dedicated program to generate the Financial Analysis Output 24 after all of the Input Data 18 has

been entered.

15   The Logic Means 30 has an Input/Edit Data Form 54 screen adapted to receive Input

Data 18 from the user by manual operation of Keyboard 16. Thereby, the user is able to enter or

edit a column of rents until all payments have been entered. The user is also able to edit data on

the data form, as is discussed more particularly below. Editing a data form recalled from Data File

32 efficiently enables recomputing similar data without having to enter data all anew. Instructions

20   informing the user of which keys perform the functions can appear at the top or bottom of the

screen. After the user is satisfied that all information solicited in the data form has been entered

correctly, the user enters a command to enable Data Processing 56. The Logic Means 30, in

conjunction with Digital Computer 14, calculates the output parameters indicated in FIG. 4 to

produce a new Data Form as Financial Analysis Output 24 in FIG. 2.

25   The Logic Means 30 also provides options to Print 58 the Financial Analysis Output

24 and to Store 60 the Financial Analysis Output 24 as a Data File 32. The user makes a selection

at Blocks 58 and 60 by pressing an appropriate key on Keyboard 16.

The Logic Means 30 returns to the Main Menu 44 to either repeat the aforesaid sequence or to quit 62 to the Shell 40. The action of pressing an exit key at any point in the sequence, if this feature is used, should bring up a fail-safe screen requesting the user to confirm

5   the exit instruction by pressing another designated key, or cancel the exit instruction by pressing any other key.

From Shell 40, the user can alternatively enter a selection to call up the Word Processing Program 34. Word Processing Program 34 can access the Stored Model Estate For Years Financial Document 36 or the Stored Model Remainder Component Financial Document 38

10   or other financial documents to modify the selected document to include information computed from Process Data 56. This information can include the expected returns under various performance scenarios, the price, and various quantitative descriptions of risk, e.g., prices under various scenarios. Process Data 56 can be contained entirely within one computer or can encompass a group of at least two computers that communicate electronically. Thus, computations of the

15   expected returns under the various performance scenarios can take place entirely within one computer or can take place within a group of computers that communicate computations and/or data on the expected returns under the various investment scenarios electronically within the group. Similarly, computations of the prices under the various performance scenarios can take place entirely within one computer or can take place within a group of computers that communicate

20   computations and/or data on the prices under the various investment scenarios electronically within the group.

Edit 63 involves editing any of the stored model documents of Block 36, Block 37, and Block 38, particularly to incorporate information from a Stored Data File 32. Print Document 64 permits printing the modified selected document at Printer 22 as one of the Processed Component

25   Financial Documents 26. Store Document 66 permits storing the modified selected document via Memory System 28. Quit to Word Processing Program 68 inquires whether the user prefers to

- 36 -

return to Word Processing Program 34 to repeat a loop defined thereby, or to go to the Shell 40.

Other Stored Model Financial Document 37 represents other financial documentation required to successfully place the securitized components. For each component, these include at least one securities document, e.g., one or more of the following group: an

5 organizational document for an entity such that a certificate evidencing an ownership or equity interest in the entity is a security, a security evidencing an ownership or equity interest in such an entity, and a disclosure document for securities law purposes, such as an offering memorandum, prospectus, or term sheet, which would normally include some or all of the following.

- Security Description

10 - Property Description and Legal Description

- Lease Synopsis and Lease Agreement

- Description of Tenant(s) -

Business

Financial Assessments

15 - Financial Analysis Based Upon Various Assumptions and Inputs

- Presentation of Risk Characteristics

In this description, the term "securities law" can refer to United States federal securities law alone or to all applicable United States federal, state and territorial securities law.

A portion of the Financial Analysis Output 24 is presented in Screens 2-4 of

20 Specimen 2, which is a simplification over the use of a dedicated program to generate the Financial Analysis Output 24 26 after all of the Input Data 18 has been entered.

Turning now to FIG. 4, the input and computational logic of a preferred embodiment of Logic Means 30 is detailed. The logic of Input Date A 70 receives entry of the date on which a separated purchase transaction is to take place, and Input Date B 72 receives entry of the expiration

25 date for the estate for years. The transaction date and the estate for years expiration date should be entered as numbers, i.e., the number of the month, the number of the day, so that the length of the

offering memorandum, prospectus, or term sheet, which would normally include some or all of the following:

- Security Description

- Entity Description

5   - Tax-Exempt Fixed-Income Security(ies)

     Held by Entity (Description)

- Description of Borrower(s) Financial Assessments

- Financial Analysis Based Upon Various Assumptions and Inputs

- Presentation of Risk Characteristics

10   In this description, the term "securities law" can refer either to United States federal securities law alone or to all applicable United States federal, state and territorial securities law.

FIG. 5 represents the input and computational logic of this embodiment of Logic Means 30, which again is substantially as discussed in the above-mentioned embodiment. The pricing logic for components is analogous to the pricing of the estate for years in the case of tangible

15   property. However, unlike the application of this invention to tangible property, every financial asset in the present embodiment - the original asset together with all components - is treated as a fixed-income asset, and is valued via fixed-income technology.

Values can be expressed, and computations performed, in absolute terms of a currency unit such as dollars, or in relative terms such as percentages of current value or original

20   issue value of the tax-exempt securities in the partnership portfolio of interest. While all contracts ultimately require values to be expressed in absolute terms, comparisons of profitability are more easily made in relative terms. Specimen 2 illustrates both modes of expression for System 12 input and output.

To simplify the language in what follows, the remaining discussion will refer to

25   "securities" in the singular only, i.e. , "security;" however, it will be understood that the discussion applies both to single-security portfolios and multiple security portfolios held by the partnership.

In event that the scheduled letter of credit expiration date is earlier than the end of the Term, Landlord is entitled to draw upon the full outstanding balance of the credit line unless the letter is renewed at least thirty (30) days prior to scheduled expiration for an amount equal to the remaining outstanding balance.

5 **INTERRUPTION OF CASH FLOWS:**

Condemnation:

If the entire Premises is acquired or condemned by eminent domain, the lease terminates as of the date the condemning authority takes possession, and total Rent due is adjusted to that date.

10   If partial condemnation results in the loss by Landlord of at least five percent (5%) of the Building or ten percent (10%) of parking for the Building, then Tenant may elect to terminate the lease within thirty (30) days of final determination of the extent of the loss, termination to occur as of the date the condemning authority takes possession, and total Rent due is adjusted to that date.

If Tenant has the option to terminate the lease but fails to exercise the option, then 15 Landlord shall promptly restore the remaining Premises to a condition comparable to its condition immediately prior to condemnation and the lease shall continue as prior to the condemnation, except that after the effective date of condemnation the Rent shall be reduced as reasonably determined by Landlord if such reduction is reasonably warranted. Tenant waives any right or claim to any part of a compensatory award from the condemning authority to Landlord, and waives any 20 claim against Landlord due to the condemnation.

In any action of eminent domain involving the Premises, the grantor trust and the remainder interest holder make separate compensation claims against the condemning authority. The estate for years deed and the remainder interest deed will disallow condemnation claims of the deed holders against each other.

The Premises are located in the Typical Industrial Park, a 400 acre master-planned business park under development in Anytown, Illinois. The park is zoned for office and light industrial facilities.

The Building is a two-story, 100,000 square foot build-to-suit office building

5   configured for multitenant occupancy but fully (100%) pre-leased on a triple-net basis to Anonymous Mortgage Company, a wholly-owned affiliate of Anonymous Conglomerate Corporation, for initial term of approximately ten years with options for renewal.

DESCRIPTION OF LEASE TERM:

The Anonymous Mortgage lease is tentatively scheduled to begin on 15 October

10   1992, and will expire on the last day of the calendar month that contains the tenth anniversary of the Commencement Eve Date, where the Commencement Eve Date is the day immediately prior to the commencement of the lease term. The lease is not cancelable during the initial term except as described below.

The period from acquisition of the remainder interest by the grantor trust to

15   expiration of the initial lease term will henceforth be known as the "Term."

Automatic Lease Extension:

Anonymous Mortgage Company and the developer have entered into an option agreement (Phase II) under which, at the option of Anonymous Mortgage, a second office building may be constructed and leased on a build-to-suit basis to Anonymous Mortgage on property

20   adjacent to the Premises. In the event the option is exercised, the initial lease term will automatically be extended to cause the expiration of the initial lease term to coincide with the expiration of the 10-year Phase II lease. However, in the event of an extension of the initial lease term, the expiration of the Term of the Security will remain unchanged. The Phase II option to extend the initial lease term expires on June 1, 1993.

25   Renewal Options:

Anonymous Mortgage shall have options to extend the lease term for two (2)

expense, either by Tenant's contractors approved in advance by Landlord or, at Tenant's option, by

Landlord on terms reasonable to Tenant, including a fifteen percent (15%) supervisory fee in

addition to the net cost of the materials and labor.

Notwithstanding the above, Anonymous Mortgage will pay, in addition to Base Rent,

5   a management fee of one and eight tenths percent (1.8%) of the Base rent for administering the

lease and as reimbursement of Landlord expenses for the costs of semiannual maintenance review

and other management overhead.

Taxes:

Anonymous Mortgage is responsible for direct payment of all real and personal

10   property-related taxes (except income taxes) as specified in Lease Section 5.01. Tenant will

provide Landlord with evidence in the form of official receipts or other acceptable proof that

complete payment has been made within thirty (30) days of each assessment due date.

Anonymous Mortgage has the right at its sole expense to contest the validity or

amount of any tax, but will first pay the tax under protest.

15   For taxes and assessments related to the calendar year during which the Term

expires, the estate for years trust is responsible for a pro rata share of taxes and assessments

based on the ratio of the number of days during the year that fall within the Term to the total number

of days in the year, and the Security holder is responsible for the remaining portion of taxes and

assessments. If the lease has not been extended, Anonymous Mortgage is responsible for the

20   portion of taxes attributable to the estate for years. If the lease has been extended, Anonymous

Mortgage is responsible for all property taxes incurred during the calendar year.

Insurance and Indemnification:

Tenant shall obtain and maintain various insurance policies related to the Premises

and activities therein. All expenses in connection with Tenant policies shall be the sole

25   responsibility of the Tenant.

Tenant policies shall include the following: All Risk insurance sufficient to cover the

the lease becomes insolvent or makes a transfer in fraud of creditors or makes an assignment for the benefit of creditors; a court-authorized appointment of a receiver, custodian, or trustee for substantially all Tenant assets or all assets of any guarantor of the lease is made and not subsequently vacated within sixty (60) days of the initial appointment date; the cumulative transfer of

5   more than 50% interest in Anonymous Mortgage that results in Anonymous retaining less than a 50% interest Anonymous Mortgage.

DEFAULT RECOURSE:

In event of default, Landlord has the right to enter and take possession of the Premises and if Landlord elects, at Tenant's expense release the Premises and/or repair any

10   damage for which Tenant is responsible. In the event that Landlord relets the Premises: Tenant is liable for all costs associated with the default and with recovery of the Premises; all accumulated Rent up to the time the Anonymous Mortgage lease is terminated; costs associated with preparing the Premises for new tenants; and any deficiency between the present value of rent payable by new tenants over the remaining Term and the present value of Anonymous Mortgage rent contracted in

15   the current lease. The deficiency between the present value of total rent payable by the new tenant(s) and contracted total rent in the Anonymous Mortgage lease can be calculated either: before the new lease(s) are signed, on the basis of expected market rent; after the new lease(s) are signed, on the basis of actual rent specified in the new lease(s).

INTERRUPTION OF RENT:

20   Condemnation:

If the entire Premises is acquired or condemned by eminent domain, the lease terminates as of the date the condemning authority takes possession, with total Rent due is adjusted to that date.

If partial condemnation results in the loss by Landlord of at least five percent (5%) of

25   the Building or ten percent (10%) of parking for the Building, then Tenant may elect to terminate the lease within thirty (30) days of final determination of the extent of the loss, termination to occur as of